



COMMISSION NEWS

ARIZONA CORPORATION COMMISSION, 1200 W. WASHINGTON, PHOENIX, AZ 85007

TO: EDITORS, NEWS DIRECTORS
FOR: IMMEDIATE RELEASE

DATE: May 04, 1998
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CORPORATION COMMISSION CHARGES INVESTMENT FRAUD IN NATIONWIDE FUNDING PROGRAM

In an administrative notice filed on April 16, 1998, the Arizona Corporation Commission Securities Division alleged that two Nevada corporations and their principals are violating the Securities Act by engaging in a Ponzi-type scheme involving the fraudulent sales of unregistered securities. According to the notice, BUCKHORN FINANCIAL SERVICES, INC. uses sales agents nationwide to offer and sell investment contracts, representing that investors' money will be used by new and existing businesses to generate monthly profits. BUCKHORN principals, JOSEPH K. HILYARD and MICHAEL LEE MATHIS, are Texas residents.

According to the notice, SAFE KEEPING DEPOSITORY, INC. participated in the sale of the unregistered securities and the fraud. Its president, STEVEN L. SHOOK, is a Scottsdale resident. the Securities Division alleged that SAFE KEEPING guaranteed investors that their investment principal and profits were secured by liens against certificates of deposit. Respondents did not disclose that the CDs were issued by a Mexican credit union.

According to the notice, beginning in May 1997, BUCKHORN sold "Joint Venture Agreements," which represent that the money raised will be used to finance "lower risk business development and assistance programs (also known as Short Term Funding Programs)." The Joint

Venture Agreements provide for a twelve month term, which can be renewed. Investors are to receive between three percent (3%) and four percent (4%) profit each month, less a one percent (1%) fee to SAFE KEEPING for the guarantee.

In fact, according to the notice, BUCKHORN used little or no investor funds to finance small company loans. As a result, respondents allegedly have been collecting investor funds to maintain and perpetuate a Ponzi-type scheme whereby the respondents use investor funds to pay monthly distributions to other investors.

The Division alleged claims against SHOOK, HILYARD and MATHIS under a new Securities Act provision enacted in 1996 for liability as controlling persons of the corporate respondents.

The notice filing initiates an administrative proceeding in which the Securities Division is seeking a cease and desist order by the Commission, along with restitution to investors and monetary fines. The companies and individuals named as respondents can request a hearing to contest the notice allegations.

The Division urges that before making any securities-related investment, the public should research whether the security and its salesmen are registered with the Commission.

"Certain 'joint ventures' are securities subject to regulation under Arizona law," said Director of Securities Michael Burton. "Always check with the Division before investing. Check on the person and the product being sold." Burton added, "Be skeptical if the people offering the investment say they aren't required to be registered by state or federal agencies. Always ask them what exemption they are relying on. Then verify that claim by calling the Division."

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